

## Message Text

SECRET

PAGE 01 HONG K 07919 081002Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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FM AMCONSUL HONG KONG  
TO SECSTATE WASHDC PRIORITY 5661  
INFO USLO PEKING  
AMEMBASSY TAIPEI

S E C R E T HONG KONG 7919

EXDIS

NOFORN

E.O. 11652: XGDS-2  
TAGS: PDIP, PROP, CH, US, OVIP  
SUBJ: CHIEF NCNA REPORTER IN HONG KONG COMMNETS ON VANCE SPEECH  
AND SINO-U.S. RELATIONS

REF: HONG KONG 7767

SUMMARY. HONG KONG'S CHIEF NCNA REPORTER, SZETU KEUNG, TOLD CONGENOFF JUNE 8 THAT HE WAS "GENERALLY OPTIMISTIC" OVER THE UPCOMING VANCE VISIT TO THE PRC. SZETU SAID HE THOUGHT IT WAS "SIGNIFICANT" THAT TAIWAN WAS LARGELY IGNORED IN THE SECRETARY'S JUNE 29 SPEECH AND RHETORICALLY WONDERED WHY THE CARTER ADMINISTRATION MIGHT BE PRESSING FOR NORMALIZATION. END SUMMARY

1. SZETU KEUNG IN A JULY 8 LUNCHEON CONVERSATION REPEATED COMMENTS IN REFTEL THAT VICE PREMIER LI HSIEN-NIEN'S JULY 4 COMMENTS TO RETIRED U.S. ADMIRAL ZUMWALT WERE THE OFFICIALS PRC REACTION TO RECENT CARTER ADMINISTRATION STATEMENTS ON THE NORMALIZATION OF SINO-U.S. RELATIONS. SZETU SAID THAT HE WAS "GENERALLY OPTIMISTIC" OVER PROSPECTS FOR SOME MOVEMENT DURING THE SECRETARY'S UPCOMING VISIT TO PEKING IN AUGUST.

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WHILE NOTING THAT IT WAS "SIGNIFICANT" THAT THE SECRETARY FAILED TO DISCUSS TAIWAN IN HIS JUNE 29 FOREIGN POLICY ADDRESS ON U.S. POLICY TOWARD ASIA, SZETU DECLINED TO COMMENT ON OTHER RECENT STATEMENTS ON POLICY TOWARD NORMALIZATION BY THE CARTER ADMINISTRATION. IN CONTRAST TO PAST MEETINGS, SZETU WAS QUITE CAUTIOUS IN HIS COMMENTS, BUT HE DID WONDER RHETORICALLY WHAT HAD CAUSED THE CARTER ADMINISTRATION TO CHANGE ITS POSITION IF

IT WAS REALLY PRESSING FOR NORMALIZATION OF RELATIONS WITH THE PRC.

2. SZETU RAISED SECRETARY VANCE'S STATEMENT THAT THE U.S. PLACES IMPORTANCE ON THE PEACEFUL SETTLEMENT OF THE TAIWAN QUESTION BY THE CHINESE THEMSELVES. HE SAID THAT WHILE "OUR EXPERIENCE TELLS US THAT THE ONLY WAY TO DEFEAT REACTIONARIES IS BY VIOLENCE", HE PERSONALLY HOPED THAT THE "LIBERATION" OF TAIWAN CAN BE ACCOMPLISHED BY GRADUAL AND PEACEFUL MEANS. HOWEVER, "HOPE" AND "REALITY" CAN BE TWO DIFFERENT THINGS. HE VOLUNTEERED THAT THE FINAL BREAK IN RELATIONS BETWEEN THE UNITED STATES AND TAIWAN WOULD BE A "SHOCK" TO TAIWAN BUT HE SAID HE DOUBTED THAT INTERNAL POLITICAL INSTABILITY WOULD RESULT. AFTER ALL, TAIWAN SURVIVED THE U.N. OUSTER AND THE BREAK OF RELATIONS WITH JAPAN. IF ANY REVOLT, COUP OR PANIC DID OCCUR, IT WOULD NOT BE BECAUSE OF EXTERNAL REASONS BUT WOULD ONLY COME FROM THE GENERAL DISSATISFACTION OF THE PEOPLE OF TAIWAN. AT THE PRESENT TIME, HE NOTED, CHIANG CHING-KUO HAD "FIRM CONTROL" OVER TAIWAN.

3. IN FURTHER DISCUSSION OF THE SECRETARY'S SPEECH, SZETU NOTED THAT THE PRC IS "WILLING" TO SIT DOWN WITH THE TAIWAN AUTHORITIES TO "DISCUSS OUR DIFFERENCES". HE SAID THIS IS UNLIKELY, HOWEVER, SINCE THE TAIWAN AUTHORITIES HAD MADE IT CONSISTENTLY AND PERFECTLY CLEAR THAT THEY WILL NOT DISCUSS ANYTHING WITH THE PRC.

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4. SZETU STATED THAT HE HAD READ A RECENT SAN FRANCISCO EXAMINER ARTICLE REPORTING THAT A "SMALL MINORITY" IN THE CARTER ADMINISTRATION HAD PROPOSED THAT ARMS SALES TO TAIWAN BE CONTINUED AFTER THE BREAK OF U.S. RELATIONS WITH TAIWAN. CONGENOFF ASKED IF HE HAD ANY COMMENT TO MAKE AND SZETU RESPONDED THAT HE JUST WANTED TO KNOW IF CONGENOFF HAD SEEN THE ARTICLE.  
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